

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00

INRE-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02 TRSE-00

SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00 FRB-02

INR-10 IO-13 NEA-10 NSAE-00 OPIC-12 LAB-06 SIL-01

INT-08 SCEN-02 SCI-06 RSR-01 L-03 OIC-04 AEC-11

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FM USMISSION OECD PARIS

TO SECSTATE WASHDC IMMEDIATE 550

INFO AMEMBASSY CANBERRA

AMEMBASSY THE HAGUE

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION NATO

AMEMBASSY LONDON

C O N F I D E N T I A L SECTION 1 OF 2 USOECD PARIS 23307

E.O. 11652: XGS

TAGS: ENRG, OECD

SUBJECT: MEETING OF SUB-GROUP ON OIL SHARING OF HIGH-LEVEL
GROUP OF OIL COMMITTEE, AUGUST 30-31, 1973

REF: USOECD 20951

PASS INTERIOR FOR EBEL

1. SUMMARY. MEETING WAS CHARACTERIZED BY SERIOUS,
FRANK EFFORTS TO FIND COMMON GROUND ON SEVERAL KEY
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ASPECTS OF AN OECD-WIDE EMERGENCY OIL SHARING SCHEME.

ANALYSIS OF VARIOUS ELEMENTS WAS SIGNIFICANTLY DEEPENED AND AGREEMENT REACHED ON A FEW GENERAL PRINCIPLES RELATING TO APPORTIONMENT MECHANISM, BUT NOT SURPRISINGLY POSITIONS CONTINUED TO BE FAR APART ON BASIS FOR SHARING -- WITH WATER-BORNE OIL IMPORTS AND TOTAL ENERGY CONSUMPTION REPRESENTING TWO EXTREMES. CHAIRMAN AND FRENCH DELEGATION WERE STRONGLY IN FAVOR OF ALL-OUT EFFORT BY GROUP TO AGREE ON SINGLE COMPROMISE SCHEME TO RECOMMEND TO HIGH-LEVEL GROUP AND OIL COMMITTEE. JAPANESE DELEGATION REMAINED MOST WARY AND QUESTIONING, BUT ALSO CONTINUED TO SHOW APPARENTLY SINCERE INTEREST IN WORK OF GROUP AND IN POSSIBILITY OF EVENTUAL COMPROMISE. ACTION REQUESTED: SEE PARA 10, BELOW. END SUMMARY.

2. A MAJOR PORTION OF GROUP'S TIME WAS SPENT ON DISCUSSION OF "VITAL NEEDS" OR "PRIORITY REQUIREMENTS" BASIS FOR SHARING AS PRESENTED IN WORKING PAPER DRAFTED BY FRENCH DELEGATION IN COLLABORATION WITH EC COMMISSION DELEGATION. THIS IS SOPHISTICATED VARIATION OF OIL CONSUMPTION BASIS, WHICH ATTEMPTS TO EQUALIZE IMPACT OF OIL SHORTAGE ON INDUSTRIAL ACTIVITY IN VARIOUS COUNTRIES BY ASSIGNMENT OF DIFFERENT WEIGHTS TO VARIOUS TYPES OF OIL USAGE IN CALCULATING APPORTIONMENT FORMULA. FOR ILLUSTRATIVE PURPOSES, PAPER SUGGESTS FOLLOWING PERCENTAGES OF NORMAL USE BE CONSIDERED AS PRIORITY REQUIREMENTS: FOR POWER STATIONS, 95PC; FOR INDUSTRY, 95PC; FOR GOODS AND PUBLIC TRANSPORT, 95PC; FOR DOMESTIC HEATING, 85PC; FOR PRIVATE TRANSPORT, 50PC. IN ADDITION TO FRANCE AND EC COMMISSION, NETHERLANDS AND NORWAY SUPPORTED THIS TYPE OF APPROACH.

3. US DELEGATION (BENNSK) FIRMLY RESTATED US POSITION AND RATIONALE IN FAVOR OF SHARING BASED ON WATER-BORNE OIL IMPORTS. HE NOTED THAT THERE HAD BEEN INSUFFICIENT TIME TO STUDY FRENCH PAPER IN DEPTH, BUT ON PRELIMINARY BASIS HE CRITICIZED "VITAL NEEDS" APPROACH ON PRACTICAL AND THEORETICAL GROUNDS: (1) IT APPEARED TO ASSIGN NEGATIVE VALUES TO THE MAJOR PECULIARITIES OF THE US POSITION, I.E., ITS ROLE AS OIL PRODUCER AND ITS PAR-

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TICULAR PATTERN OF ENERGY USE; (2) IT APPEARED TO GIVE INSUFFICIENT CONSIDERATION TO THE POLITICAL AND PSYCHOLOGICAL ELEMENTS IN ACHIEVING ACCEPTANCE BOTH OF AN APPORTIONMENT SYSTEM AND OF MEASURES REQUIRED IN AN EMERGENCY; (3) THE ASSIGNMENT OF PRIORITIES FOR OIL USE IS SOMETHING THAT EACH NATION MUST DO FOR ITSELF IN LIGHT OF ITS OWN VALUES AND OWN ECONOMIC SYSTEM -- IT WOULD PROBABLY BE IMPOSSIBLE TO ARRIVE AT

A SATISFACTORY SINGLE FORMULA FOR ALL OECD MEMBERS. THE PRIVATE TRANSPORT SECTOR, FOR EXAMPLE, IS OF CONSIDERABLE IMPORTANCE TO THE US ECONOMY AND CANNOT BE CONSIDERED IN ISOLATION FROM DISTANCES IN THE US AND THE RELATIVELY LIMITED AVAILABILITY OF ALTERNATIVE MEANS OF TRANSPORT. CANADA AND AUSTRALIA (IN "CONSULTANT" STATUS), LINED UP WITH US POSITION.

4. JAPAN SUPPORTED TOTAL ENERGY CONSUMPTION AS BASIS FOR OIL SHARING. CHAIRMAN AND SECRETARIAT (LAADING) NOTED THAT PREVIOUS EXPERIENCE IN OECD HAS SHOWN THAT THIS IS NOT PRACTICABLE. JAPAN STUCK TO ITS GUNS, APPARENTLY FOR TACTICAL PURPOSES, BUT INDICATED LIVELY INTEREST IN FURTHER STUDY OF "VITAL NEEDS" APPROACH AS POSSIBLE BASIS FOR COMPROMISE. AT THE SAME TIME, JAPAN STRESSED THAT IT WOULD NOT BE ABLE TO ACCEPT IMPORTS AS ADEQUATE BASIS FOR SHARING.

5. GROUP ALSO DISCUSSED ARITHMETIC COMPROMISES BETWEEN OIL IMPORT AND OIL CONSUMPTION-BASED SHARING AS PRESENTED IN RAPPORTEUR'S PAPER ENTITLED "ALTERNATIVE CRITERIA FOR SHARING OIL SUPPLIES." IT WAS AGREED THAT SECRETARIAT SHOULD PREPARE PAPER DEMONSTRATING PRACTICAL RESULTS OF THESE COMPROMISES, AND OF "VITAL NEEDS" FORMULA ON BASIS OF COMPARABLE ASSUMPTIONS AND DATA.

6. IN THE GIVE AND TAKE ON APPORTIONMENT BASIS, STORNG MAJORTY CONCURRED THAT BASIC SUBSTANCE OF VITAL NEEDS APPROACH WOULD HAVE TO BE RETAINED IN ULTIMATE COMPROMISE, EVEN IF IT COULD NOT BE APPLIED AS SYSTEMATIC FORMULA; IT WOULD HAVE TO BE RECOGNIZED THAT IMPACT OF GIVEN OIL LOSS MIGHT BE SUBSTANTIALLY

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GREATER ON SOME COUNTRIES THAN ON OTHERS OWING TO DEGREE OF DEPENDENCE ON IMPORTED OIL, AVAILABILITY OF SUBSTITUTE FORMS OF ENERGY, ETC.

7. AN EXTENSIVE AND CONSTRUCTIVE DISCUSSION WAS HELD ON RELATED QUESTIONS OF TRIGGER MECHANISM AND DEFINITION OF EMERGENCY. THERE WAS GENERAL AGREEMENT THAT TRIGGER MECHANISM SHOULD BE FAST AND EFFICIENT. IT WAS ALSO AGREED THAT BASIS FOR TRIGGER SHOULD BE PHYSICAL SHORTAGE OF OIL FOR ONE OR MORE COUNTRIES, RATHER THAN CAUSE OF SHORTAGE. IT WAS GENERAL VIEW THAT THIS WOULD REDUCE AURA OF "CONFRONTATION" IN CASE OF EMERGENCY, A POINT ON WHICH JAPANESE AS USUAL WERE ESPECIALLY INSISTENT.

8. IN COURSE OF DISCUSSION OF VARIOUS ADDITIONAL

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FM USMISSION OECD PARIS

TO SECSTATE WASHDC IMMEDIATE 551

INFO AMEMBASSY CANBERRA

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C O N F I D E N T I A L SECTION 2 OF 2 OECD PARIS 23307

ISSUES, THERE WAS BROAD AGREEMENT THAT AN OECD-WIDE APPORTIONAMENT SCHEME MUST RECOGNIZE INTERESTS OF NON-OECD CONSUMERS, AND ESPECIALLY OF LDC'S, IN A MEANINGFUL WAY. ALSO DISCUSSED WAS RELATIONSHIP OF R&D EFFORTS TO PROSPECTIVE SCHEME, AND ROLE OF IIAB.

9. DURING DISCUSSION OF FUTURE WORK OF GROUP, CHAIRMAN AND FRENCH DELEGATION MADE PLEA FOR AGREEMENT ON A SINGLE COMPROMISE APPORTIONMENT SCHEME TO BE RECOMMENDED TO HIGH-LEVEL GROUP AND OIL COMMITTEE. US

DELEGATION (BENNSKY) AND RAPPORTEUR (EDEL) AGREED THAT
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THIS DESIRABLE GOAL BUT SAID THAT IN THEIR VIEW MANDATE
OF GROUP WOULD BE FULFILLED IF ISSUES SHARPENED AND
DIFFERENCES NARROWED SO THT POLITICAL DECISIONS COULD
BE TAKEN RAPIDLY AND EFFICIENTLY.

10. AN INITIATIVE OF CHAIRMAN, GROUP'S MEETING SCHEDULE
HAS BEEN INTENSIFIED SOMEWHAT. NEXT MEETING WILL BEGIN
ON SEPTEMBER 11 AT 2015 HOURS, AFTER HLG MEETING, AND
WILL CONTINUE ON SEPTEMBER 12. THERE WILL BE ANOTHER
MEETING ON SEPTEMBER 26-27, AND A FINAL MEETING WAS SET
PROVISIONALLY FOR OCTOBER 11-12. FOR SEPTEMBER 11
MEETING, RAPPORTEUR WILL PREPARE REPORT ON AREAS OF
AGREEMENT REACHED SO FAR AND A SUMMARY RECORD OF AGUST
30-31 MEETING POINTING UP REMAINING POINTS OF DISAGREE-
MENT. SECRETARIAT WILL PREPARE LIST OF PROCEDURAL
CONCLUSIONS. CHAIRMAN EXPRESSED HOPE THAT DELEGATES
WOULD BE PREPARED TO MAKE PROPOSALS IN CONCRETE FORM,
INCLUDING WHERE APPROPRIATE NUMERICAL VALUES.

11. US DELEGATION AND RAPPORTEUR HAD QUESTIONED
WHETHER TIMING OF SEPTEMBER 26-27 MEETING SUTIABLE IN
VIEW OF NEED FOR RAPPORTEUR TO PREPARE A THOROUGH
DRAFT REPORT AND BECAUSE OF SCHEDULING DIFFICULTIES.
THEY DEFERRED FOR TIME BEING, HOWEVER, TO STORNG VIEWS
OF CHAIRMAN AND SOME OTHER DELEGATIONS.

12. THIS REPORT WAS DISCUSSED IN DETAIL WITH MESSRS.
BENNSKY AND EDEL BUT PREPARED AFTER THEIR DEPARTURE.ROGERS

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